

Clay County Development Corporation, Inc.

**Financial Statements
and
Supplementary Information**

June 30, 2008

Clay County Development Corporation, Inc.

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Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' Report

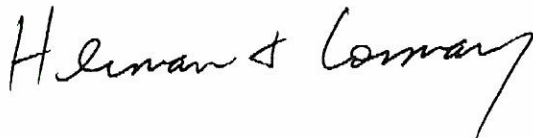
To the Board of Directors
Clay County Development Corporation, Inc.
Clay, West Virginia

We have audited the accompanying statement of financial position of Clay County Development Corporation, Inc. (a nonprofit organization) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated March 28, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clay County Development Corporation, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009 on our consideration of Clay County Development Corporation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Charleston, WV
September 25, 2009

Clay County Development Corporation, Inc.

Statement of Financial Position

**June 30, 2008, with Comparative Totals
As of June 30, 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 48,977	\$315,474
Medicaid reimbursements receivable	79,413	86,323
Grants receivable	63,427	57,790
Property and equipment	<u>339,684</u>	<u>229,991</u>
Total Assets	<u>\$531,501</u>	<u>\$689,578</u>
Liabilities and Net Assets		
Accounts payable	\$ 29,420	\$ 21,705
Accrued annual leave	52,239	48,641
Accrued payroll	57,777	46,462
Grant funds received in advance	8,500	8,500
Notes payable	<u>57,774</u>	<u>-0-</u>
Total Liabilities	<u>205,710</u>	<u>125,308</u>
Net Assets		
Unrestricted	287,866	534,004
Temporarily restricted	<u>37,925</u>	<u>30,266</u>
Total Net Assets	<u>325,791</u>	<u>564,270</u>
Total Liabilities and Net Assets	<u>\$531,501</u>	<u>\$689,578</u>

See independent auditors' report and notes to financial statements.

Clay County Development Corporation, Inc.

Statement of Activities

For the Year Ended June 30, 2008, with
Comparative Totals for the Year Ended June 30, 2007

	2008			2007 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues, Gains and Other Support				
Grants				
Department of Transportation	\$ -0-	\$ 9,000	\$ 9,000	\$ 18,000
Appalachian Area Agency on Aging	-0-	229,806	229,806	227,560
West Virginia Bureau of Senior Services	-0-	164,104	164,104	46,261
Medicaid reimbursements	1,076,954	-0-	1,076,954	1,329,378
Bus fares and other income	2,393	-0-	2,393	5,951
Gain on sale of assets	-0-	-0-	-0-	4,000
Interest	1,236	-0-	1,236	3,070
Net assets released from restrictions:				
Satisfaction of grant activities	<u>395,251</u>	<u>(395,251)</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues, Gains and Other Support	<u>1,475,834</u>	<u>7,659</u>	<u>1,483,493</u>	<u>1,634,220</u>
Expenses and Losses				
Grants				
Department of Transportation	9,000	-0-	9,000	18,000
Appalachian Area Agency on Aging	244,219	-0-	244,219	206,498
West Virginia Bureau of Senior Services	122,097	-0-	122,097	46,261
Medicaid and non-Medicaid services	1,249,914	-0-	1,249,914	1,318,100
Non-grant program related expenses	68,479	-0-	68,479	78,763
General and administrative	<u>28,263</u>	<u>-0-</u>	<u>28,263</u>	<u>21,577</u>
Total Expenses and Losses	<u>1,721,972</u>	<u>-0-</u>	<u>1,721,972</u>	<u>1,689,199</u>
Change in Net Assets	(246,138)	7,659	(238,479)	(54,979)
Net Assets, Beginning of Year	<u>534,004</u>	<u>30,266</u>	<u>564,270</u>	<u>619,249</u>
Net Assets, End of Year	<u>\$ 287,866</u>	<u>\$ 37,925</u>	<u>\$325,791</u>	<u>\$ 564,270</u>

See independent auditors' report and notes to financial statements.

Clay County Development Corporation, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2008, with
Comparative Totals for the Year Ended June 30, 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (238,479)	\$ (54,979)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	24,593	18,857
Decrease (increase) in assets		
Grants receivable	(5,637)	(3,010)
Medicaid reimbursements receivable	6,910	11,324
Deposits	-0-	9,623
Increase (decrease) in liabilities		
Accounts payable	7,715	9,110
Accrued payroll	11,315	(7,094)
Accrued annual leave	3,598	(3,692)
Net Cash Used In Operating Activities	<u>(189,985)</u>	<u>(19,861)</u>
Cash Flows From Investing Activities		
Purchase of building and improvements	<u>(134,286)</u>	<u>(128,780)</u>
Net Cash Used In Investing Activities	<u>(134,286)</u>	<u>(128,780)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	58,500	-0-
Payments made on long-term debt	<u>(726)</u>	<u>-0-</u>
Net Cash Provided By Financing Activities	<u>57,774</u>	<u>-0-</u>
Net Decrease in Cash	(266,497)	(148,641)
Cash, Beginning of Year	<u>315,474</u>	<u>464,115</u>
Cash, End of Year	<u>\$ 48,977</u>	<u>\$ 315,474</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ 1,417</u>	<u>\$ -0-</u>

See independent auditors' report and notes to financial statements.

Clay County Development Corporation, Inc.

Notes to Financial Statements

June 30, 2008, with Comparative
Totals as of June 30, 2007

Note A – Summary of Significant Accounting Policies

Operations – Clay County Development Corporation, Inc. (“Organization”) was formed to provide services to elderly and low income individuals in Clay County, West Virginia. The Organization provides services designed to combat problems of poverty and to seek elimination or reduction of conditions of poverty through medical assistance or other services to the elderly. Funding for operations is provided by federal and state grants and through fees for services provided.

Classification of Support – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Comparative Totals – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Grants and Medicaid Reimbursements Receivable – Grants and Medicaid reimbursements receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable through a provision for bad debt expense based on its assessment of the current status of individual accounts. Receivables are considered impaired if full payments are not received in accordance with contractual terms. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At June 30, 2008 and 2007, all receivables recorded are considered collectible.

Clay County Development Corporation, Inc.

Notes to Financial Statements (Continued)

June 30, 2008, with Comparative Totals

As of June 30, 2007

Note A – Summary of Significant Accounting Policies (Continued)

Property and equipment – The property and equipment of the Organization are capitalized at cost. Individual purchases of property and equipment in excess of \$1,000 are capitalized. The items are depreciated utilizing the straight-line method over the estimated useful life of the asset beginning when the asset is placed in service. Depreciation expense for the years ended June 30, 2008 and 2007 was \$24,593 and \$18,857, respectively. The value of the property and equipment at June 30, 2008 and 2007 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Buildings	\$377,659	\$250,873
Equipment	<u>53,209</u>	<u>53,209</u>
	430,868	304,082
Less accumulated depreciation	<u>108,684</u>	<u>84,091</u>
	322,184	219,991
Land	<u>17,500</u>	<u>10,000</u>
	<u>\$339,684</u>	<u>\$229,991</u>

Grant funds received in advance – Grant funds received in advance of \$8,500 at June 30, 2008 and 2007 consists of funds received from the WV Department of Transportation in advance of expenses incurred. The funds received are restricted for the intended use of the grant through the applicable grant period.

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an Organization that is not a private foundation under Section 509(a)(2).

Statements of Cash Flows – For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Note B – Pension Plan

The Organization makes a contribution on behalf of its eligible employees as a matching of employee contributions up to \$600 per year per employee. During each of the years ended June 30, 2008 and 2007, the Organization made contributions of \$1,800 on behalf of employees.

Clay County Development Corporation, Inc.

Notes to Financial Statements (Continued)

June 30, 2008, with Comparative Totals
As of June 30, 2007

Note C – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 and 2007 are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Grant programs		
Appalachian Area Agency on Aging		
Shine	\$ 5,015	\$ 7,125
Life	9,422	22,841
Title IID	481	300
West Virginia Bureau of Senior Services		
Alzheimer's Demonstration Grant	<u>23,007</u>	<u>-0-</u>
	<u>\$37,925</u>	<u>\$30,266</u>

Note D – Program and Other Expenditures

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General operating expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Expenditures for the year ended June 30, 2008, with comparative totals for the year ended June 30, 2007, are as follows:

	<u>Grant and Program Activities</u>	<u>Non-grant, Medicaid and NonMedicaid</u>	<u>General and Administrative</u>	<u>Total</u>	<u>2007 Total</u>
Salaries and benefits	\$307,543	\$1,198,020	\$ -0-	\$1,505,563	\$1,524,721
Enhancement tax	-0-	283	-0-	283	215
Contract services	-0-	16,116	-0-	16,116	12,660
Travel	15,872	15,801	604	32,277	24,258
Telephone and utilities	6,946	21,948	-0-	28,894	22,299
Insurance	28,672	-0-	-0-	28,672	29,220
Office expense	147	22,902	1,649	24,698	24,499
Program supplies	-0-	22,307	-0-	22,307	9,054
Other program expenses	13,342	9,888	-0-	23,230	5,088
Depreciation	-0-	-0-	24,593	24,593	18,857
Interest	-0-	-0-	1,417	1,417	-0-
Maintenance and vehicle costs	<u>2,794</u>	<u>11,128</u>	<u>-0-</u>	<u>13,922</u>	<u>18,328</u>
	<u>\$375,316</u>	<u>\$1,318,393</u>	<u>\$28,263</u>	<u>\$1,721,972</u>	<u>\$1,689,199</u>

Clay County Development Corporation, Inc.

Notes to Financial Statements (Continued)

June 30, 2008, with Comparative Totals

As of June 30, 2007

Note E – Net Assets Released From Restriction

Net assets were released from donor and grant restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2008 and 2007 as follows:

Purpose restrictions accomplished	<u>2008</u>	<u>2007</u>
Grants		
Department of Transportation	\$ 9,000	\$ 18,000
Appalachian Area Agency on Aging	244,219	228,498
West Virginia Bureau of Senior Services	<u>142,032</u>	<u>46,261</u>
	<u>\$395,251</u>	<u>\$292,759</u>

Note F – Notes Payable

Notes payable at June 30, 2008 consists of the following:

Notes payable to a bank, accruing interest at 7.301% and payable in monthly installments of \$536 through January, 2023; secured by the related building.	<u>\$57,774</u>
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The scheduled maturities of notes payable is as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2009	\$ 2,300
2010	2,473
2011	2,660
2012	2,861
2013	3,077
Thereafter	<u>44,403</u>
	<u>\$57,774</u>

Note G – Concentration of Credit Risk

The Organization receives a significant portion of its revenues from private contributions and federal and state grant programs. A material reduction in the level of support or nonpayment of fees generated would have a significant impact on the Organization's programs and activities and its ability to continue as a going concern.

Supplementary Information

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' Report on Supplementary Information

To the Board of Directors
Clay County Development Corporation, Inc.
Clay, West Virginia

Our report on our audit of the basic financial statements of Clay County Development Corporation, Inc. for the year ended June 30, 2008 appears on page 1. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 10 thru 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Charleston, WV
September 25, 2009

Clay County Development Corporation, Inc.
Schedule of Revenues and Expenditures by Funding Source
Year Ended June 30, 2008

	<u>Totals</u>	<u>Rural Transit Assistance</u>	<u>Appalachian Area Agency on Aging-- Title IIB</u>	<u>Bureau of Senior Services</u>
Revenues, Gains and Support	<u>\$1,483,493</u>	<u>\$11,299</u>	<u>\$47,214</u>	<u>\$164,104</u>
Expenses and Losses				
Salaries	\$1,339,817	\$15,533	\$43,836	\$110,217
Payroll taxes and fringes	165,746	1,877	5,296	11,880
Contract services	16,116	-0-	-0-	-0-
Travel	32,277	125	1,273	-0-
Telephone and utilities	28,894	302	6,644	-0-
Insurance	28,672	28,672	-0-	-0-
Office expense	24,698	25	123	-0-
Medicaid enhancement tax	283	-0-	-0-	-0-
Program supplies	22,307	-0-	-0-	-0-
Vehicle costs	13,922	13,922	-0-	-0-
Depreciation	24,593	-0-	-0-	-0-
Interest	1,417	-0-	-0-	-0-
Other program expenses	<u>23,230</u>	<u>205</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses and Losses	1,721,972	60,661	57,172	122,097
Capitalized Non-Financed Equipment Costs	<u>76,286</u>	<u>-0-</u>	<u>-0-</u>	<u>19,000</u>
Total Expenses and Capitalized Non-Financed Equipment Costs	<u>\$1,798,258</u>	<u>\$60,661</u>	<u>\$57,172</u>	<u>\$141,097</u>

NOTE: Expense overruns in each program, as allocated by the Organization, are absorbed by other programs whose funds are unrestricted.

See independent auditors' report on supplementary information.

<u>Appalachian Area Agency on Aging --Life</u>	<u>Appalachian Area Agency on Aging-- Other Programs</u>	<u>Medicaid and Non-Medicaid Services</u>	<u>General and Administrative</u>
<u>\$173,311</u>	<u>\$ 9,281</u>	<u>\$1,076,954</u>	<u>\$1,330</u>
\$154,854	\$12,278	\$1,003,099	\$ -0-
18,708	1,543	126,442	-0-
-0-	-0-	16,116	-0-
11,159	3,315	15,801	604
-0-	-0-	21,948	-0-
-0-	-0-	-0-	-0-
-0-	-0-	22,901	1,649
-0-	-0-	283	-0-
-0-	-0-	22,307	-0-
-0-	-0-	-0-	-0-
-0-	-0-	-0-	24,593
-0-	-0-	-0-	1,417
<u>2,008</u>	<u>-0-</u>	<u>21,017</u>	<u>-0-</u>
186,729	17,136	1,249,914	28,263
<u>-0-</u>	<u>-0-</u>	<u>57,286</u>	<u>-0-</u>
<u>\$186,729</u>	<u>\$17,136</u>	<u>\$1,307,200</u>	<u>\$28,263</u>

Clay County Development Corporation, Inc.
Schedule of Equipment and Other Capitalized Costs
Year Ended June 30, 2008

<u>Item Purchased</u>	<u>Program Charged</u>	<u>Amount</u>
Kitchen and building improvements	Bureau of Senior Services	\$ 19,000
Buildings and improvements	Medicaid	<u>115,286</u>
		<u>\$134,286</u>

See independent auditors' report on supplementary information.

Clay County Development Corporation, Inc.
Schedule of Appalachian Area Agency on Aging Activities
Year Ended June 30, 2008

	<u>Grant Period Ended</u> <u>September 30, 2007</u>			<u>Grant Period Ended</u> <u>September 30, 2008</u>		
	<u>Title IIIB</u>	<u>Title IID</u>	<u>Title IIIE</u>	<u>Title IIIB</u>	<u>Title IID</u>	<u>Title IIIE</u>
	Revenues, Gains and Support	\$ -0-	\$ -0-	\$ -0-	\$47,214	\$182
Expenses and Losses						
Salaries	\$3,427	\$ -0-	\$1,074	\$40,409	\$212	\$9,822
Payroll taxes and fringes	432	-0-	115	4,864	27	1,201
Travel	174	-0-	-0-	1,098	-0-	3,315
Telephone and utilities	562	-0-	-0-	6,082	-0-	-0-
Postage	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>123</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses and Losses	<u>\$4,595</u>	<u>\$ -0-</u>	<u>\$1,189</u>	<u>\$52,576</u>	<u>\$239</u>	<u>\$14,338</u>

NOTE: The other programs sponsored by the Appalachian Area on Aging are on program years that match the Organization's fiscal year or did not have two program years within this fiscal year. Thus, they are not presented. The above information for each grant period represents the activity for each program during the period from July 1, 2007 through June 30, 2008. Additionally, cost overruns in these programs are absorbed by other programs whose funds received are unrestricted.

See independent auditors' report on supplementary information.

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Clay County Development Corporation, Inc.
Clay, West Virginia

We have audited the financial statements of Clay County Development Corporation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clay County Development, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay County Development, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider deficiencies 2008-1 and 2008-2 as described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

To the Board of Directors
Clay County Development Corporation, Inc.
Page two

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

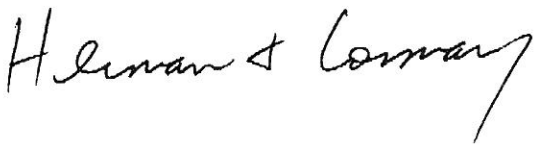
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County Development Corporation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

We noted certain matters that we reported to management of Clay County Development Corporation, Inc. in a separate letter dated September 25, 2009.

Clay County Development Corporation, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Clay County Development Corporation, Inc.'s response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, others within the organization and the various federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Charleston, West Virginia
September 25, 2009

Clay County Development Corporation, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

SIGNIFICANT DEFICIENCY

2007-1 General Ledger Reconciliations

Condition: The general ledger of the Organization is not maintained on the full accrual basis of accounting.

Recommendations: Make appropriate entries to the general ledger throughout the year so that proper decisions can be made on an on going basis.

Current Status: The condition remains in existence at June 30, 2008 and is reported as part of deficiency 2008-1 in the schedule of findings and questioned costs.

2007-2 Segregation of Duties

Condition: The Organization's bookkeeper is performing various accounting functions, including processing invoices, preparing monthly drawdown requests, and reconciling the bank statements.

Recommendations: Assign accounting functions to different individuals, or have those functions reviewed on a recurring basis to ensure that no errors or fraudulent activities occur.

Current Status: The condition has improved and is not considered to be a significant deficiency at June 30, 2008.

Clay County Development Corporation, Inc.

Schedule of Findings and Responses

Year Ended June 30, 2008

A. Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2008-1 General Ledger Maintenance

Condition: The general ledger of the Organization is not maintained on the full accrual basis of accounting.

Criteria: Since the Organization's external financial statements are prepared on the accrual basis, the internal financial statements prepared throughout the year should closely follow this basis also.

Effect: Reports prepared throughout the year internally could materially change at year end and cause decisions made throughout the year to be based on a non-accrual general ledger.

Recommendation: Make appropriate entries to the general ledger throughout the year so that proper decisions can be made on an ongoing basis.

Response: We agree with the recommendation and will work with our auditors to implement the full accrual basis of accounting on an ongoing basis.

2008-2 Payment of Invoices and Other Obligations

Condition: For payments made during the year, their distributions were inconsistent, including checks being distributed at dates different than the check date, checks that were voided but not in the accounting system, and improper processing of reports and related distributions made.

Criteria: In order to ensure the accounting system is properly reporting all accounting transactions, all disbursements should be handled on a consistent basis.

Effect: Accounting reports produced could have inaccurate financial data included as a result of these payments.

Recommendation: Be consistent with the distribution and reporting of expenditures, and ensure that all payments are properly calculated by having additional policies in place to assist in the accounting transactions.

Response: We agree with the recommendation and will add additional policies and personnel assignments to ensure that all amounts are properly distributed.